MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

DEN5114 – ENTREPRENEURSHIP

(All Sections)

7 FEBRUARY 2022
2.30 p.m. - 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FOURTEEN** (14) pages (excluding the cover page)
2. Answer **ALL** questions.
3. The marks allocation is given in the parentheses.

PART A: Multiple Choice Questions (60 marks)

1. Google is a firm that is proactive, innovative, and risk-taking. From this description, we can most accurately conclude that Google has an important level of _____.

   A. enterprise focus
   B. innovative intensity
   C. entrepreneurial intensity
   D. creative intensity

2. The three most common reasons for people becoming entrepreneurs and starting their own businesses are to _____.

   A. gain prestige, realize financial rewards, and eliminate risk in their lives
   B. do what they were "born" to do, be their own boss, and gain prestige
   C. take big risks, be their own boss, and do what they were "born" to do
   D. be their own boss, pursue their own ideas, and realize financial rewards

3. The number one characteristic shared by successful entrepreneurs is

   A. a desire to achieve financial rewards
   B. a passion for the business
   C. a desire to employ other people
   D. a desire to fulfil a lifetime dream

4. An opportunity has the following four essential qualities _____.

   A. attractive; timely; durable; and anchored in a product, service, or business that creates or adds value for its buyer or end user
   B. practical; opportune; appropriate; and anchored in a product, service, or business that is efficient and effective
   C. realistic; striking; timely; and anchored in a product, service, or business that is timely
   D. attention-getting; attractive; timely; and anchored in a product, service, or business that creates or adds value for its buyer or end user

5. Which of the following is correct about opportunities and ideas?

   A. An opportunity and an idea are essentially the same thing.
   B. An idea almost always meets the criteria of an opportunity.
   C. An idea is a favourable set of circumstances that creates a need for a new product, service, or business.
   D. It's important to discern whether a particular idea meets the criteria for an opportunity.

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6. Economic forces affect the opportunities available to entrepreneurs. Which of the following alternatives reflects a set of economic forces that would be of interest to entrepreneurs?

   A. Level of disposable income, new uses of old technologies, and new laws and regulations
   B. New technologies, consumer spending patterns, and new laws
   C. Interest rates, consumer spending patterns, and level of disposable income
   D. Social and cultural trends, level of interest rates, and what people think is "in"

7. Clothing boutiques and specialty shops often start because there is a need for a particular product, but large retailers like Wal-Mart and Costco can't sell enough of the item to stock it on their shelves. If a clothing boutique started to sell designer clothes or clothing for hard-to-fit people because the clothing wasn't being offered by a larger retailer, the best way to describe how that idea was recognized is _____.

   A. finding a gap in the marketplace
   B. brainstorming
   C. observing trends
   D. solving a problem

8. Which of the following statements is incorrect about entrepreneurial alertness?

   A. The research findings on entrepreneurial alertness are conclusive.
   B. Alertness is largely a learned skill.
   C. People who have more knowledge of an area tend to be more alert to opportunities in that area than others.
   D. The term "entrepreneurial alertness" is often associated with a "sixth sense" that seems to allow some people to see opportunities that others miss.

9. To make sure that its customers are satisfied and to probe for new product ideas, Intuit routinely sends employees to the facilities of their customers. This technique for generating new business ideas is called _____.

   A. brainstorming
   B. day-in-the-life research
   C. focus group
   D. survey

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10. Talking to industry experts, obtaining feedback from prospective customers, and administering surveys are examples of _____ research.

A. primary
B. secondary
C. derivative
D. principal

11. Which of the following is not an attribute of an attractive industry?

A. Is young rather than old
B. Is not crowded
C. Is late rather than early in its life cycle
D. Is important to the customer

12. The two primary issues to consider in organizational feasibility analysis are _____.

A. target market attractiveness and financial rate of return
B. management prowess and resource sufficiency
C. capital requirements and industry attractiveness
D. concept testing and financial rate of return

13. The most critical issues to consider in financial feasibility analysis are _____.

A. resource sufficiency, industry attractiveness, and total startup cash needed
B. total startup cash needed, financial performance of similar businesses, and the overall financial attractiveness of the proposed venture
C. target market attractiveness, resource sufficiency, and product/service demand
D. total startup cash needed, management prowess, and product/service demand

14. Which of the following statements about business models is incorrect?

A. There are two general types of business models.
B. There is no perfect business model.
C. Most of the standard business models have been in place for some time.
D. A firm's business model is confined to its own boundaries.

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15. _____ business models are ones that do not fit the profile of standard business models and are impactful enough that they disrupt or change the way business is conducted in an industry or an important niche within an industry.

A. Disruptive
B. Normal
C. Unique
D. Incomparable

16. Once a firm decides to enter an industry and chooses a market in which to compete, it must gain an understanding of its competitive environment. This challenge can be undertaken by completing a(n) _____ analysis.

A. business
B. industry
C. competitor
D. strategic

17. In general, industries are more attractive when the _____.

A. majority of the threats are high
B. majority of the threats are low
C. threat of each of the forces is neutral-neither low nor high
D. threat of each of the five forces is low

18. If a startup pioneers an industry or a new concept within an industry, the name recognition the startup sets up may create a formidable nontraditional barrier to entry referred to as a(n) _____.

A. unique business model
B. aggressive supremacy
C. competitive superiority
D. first-mover advantage

19. The primary opportunity existing for startups in emerging industries is to _____.

A. consolidate the industry and establish industry leadership as a result of doing so
B. win customers by placing an emphasis on service and process innovation
C. pursue a niche strategy, which focuses on a narrow segment of the industry that might be encouraged to grow through product or process innovation
D. capture a first-mover advantage

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20. A business plan is important as it forces the founding team to systematically think through every aspect of their new venture and _____.

A. it is a budget
B. it is a public relations document that can be used to promote the firm
C. it is a contract that is signed by the founders of the firm
D. it communicates the merits of a new venture to outsiders, such as investors and bankers

21. Which of the following statements is incorrect about business plans?

A. Writing a business plan forces a firm's founders to systematically think through each aspect of their new venture.
B. For most new ventures, the business plan is a dual-purpose document used both inside and outside the firm.
C. A business plan is typically 25 to 35 pages long.
D. The business plan should be written while the feasibility analysis is being completed.

22. Which of the following statements is incorrect regarding the executive summary of a business plan?

A. It is a brief overview of the entire business plan.
B. In many instances an investor will first ask for a copy of a firm's executive summary and will request a copy of the full business plan only if the executive summary is sufficiently convincing.
C. It is arguably the most important section of the business plan.
D. The executive summary is the first thing that should be written in preparing a business plan.

23. The four main financial objectives of a firm are _____.

A. efficiency, effectiveness, strength, and flexibility
B. power, success, efficiency, and effectiveness
C. control, effectiveness, liquidity, and power
D. profitability, liquidity, efficiency, and stability

24 A company's ability to productively use its assets compared to its revenue and its profits is referred to as _____.

A. efficiency
B. effectiveness
C. stability
D. liquidity

Continued...

25. A financial statement is a(n) _____.

A. set of ratios which depict relationships between a firm's financial items
B. estimate of a firm's future income and expenses
C. hybrid statement of cash flows
D. written report that quantitatively describes a firm's financial health

26. When a firm's managerial resources are insufficient to take advantage of its new product and service opportunities, the subsequent bottleneck is referred to as the _____ problem.

A. commercial capacity
B. entrepreneurial aptitude
C. managerial capacity
D. business capacity

27. Which financial statement records all a firm's revenues and expenses for a given period and shows whether the firm is making a profit or experiencing a loss?

A. Balance sheet
B. Owner's equity statement
C. Statement of cash flows
D. Income statement

28. When evaluating a financial position statement, the two primary questions are _____.

A. whether a firm has sufficient short-term assets to cover its short-term debts and whether it is profitable
B. whether a firm is profitable and whether a firm is financially sound
C. whether a firm's cost of sales is going up and whether it is generating excess cash that could be used to pay down debt or pay dividends
D. whether a firm has sufficient short-term assets to cover its short-term debts and whether it is financially sound

29. A firm's working capital is its _____.

A. inventory and accounts receivable minus its current liabilities
B. current assets minus its current liabilities
C. total assets minus its total liabilities
D. cash and cash equivalents minus its current liabilities

Continued...

30 The fact that companies often falter because the people who start the firms can't adjust quickly enough to their new roles and because the firm lacks a "track record" with outside buyers and sellers, is referred to as the _____.

A. liability of preparedness
B. liability of newness
C. burden of novelty
D. burden of freshness

31. Which of the following statements is untrue about founding teams?

A. The members of heterogeneous teams are diverse in terms of their abilities and experiences.
B. The members of homogenous teams are similar in terms of their abilities and experiences.
C. Teams that have worked together before have an edge.
D. It is generally believed that new ventures started by an individual have an advantage over new ventures started by a team.

32. The members of heterogeneous teams are _____.

A. diverse in terms of their abilities and experiences
B. diverse in terms of their abilities, but similar in terms of their experiences
C. similar in terms of their abilities and experiences
D. diverse in terms of their experiences, but similar in terms of their abilities

33. The members of homogeneous teams are _____ in terms of their _____.

A. diverse; abilities and experiences
B. diverse; abilities, but similar in terms of their experiences
C. similar; abilities and experiences
D. diverse; experiences, but similar in terms of their abilities

34. Which of the following statements is not true about the attributes of the founder(s) of a firm?

A. Evidence suggests that important entrepreneurial skills are enhanced through higher education.
B. Founders with prior entrepreneurial experience are more likely to avoid costly mistakes.
C. Founders with experience in the same industry as their new ventures will typically have "blinders" on and are typically not as effective as founders new to the industry.
D. Founders with broad social and professional networks have an advantage.

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35. The process of building and maintaining relationships with people whose interests are similar or whose relationship could bring advantages to the firm is called _____.

A. linking
B. socializing
C. networking
D. associating

36. A skills profile is a chart that depicts the _____.

A. preferable skills and abilities of the members of a firm's board of advisors
B. preferable skills and abilities of the members of a firm's board of directors
C. most important skills that are needed in a business startup and where skills gaps exist
D. skills and abilities that will be needed for a firm to maintain an aggressive growth strategy

37. A board of directors' three formal responsibilities are to appoint the officers of the firm, oversee the affairs of the corporation, and _____.

A. conduct the annual meeting
B. provide funding for the firm
C. submit the firm's annual report to the stockholders
D. declare dividends

38. Which of the following was not an attribute of an effective board member?

A. Strong personal and professional networks
B. Unknown in their field
C. Investment and/or operating experience
D. Ability and willingness to mentor the CEO and the top managers of the firm

39. Which of the following is incorrect about the typical role of consultants in business startups?

A. Give professional advice
B. International consulting firms (e.g., Accenture and Bearing Point) are financially beyond the reach of most small firms.
C. Consultants fall into two categories—paid consultants and consultants who are made available for free.
D. Help manage the day-to-day activities of the firm

Continued...

40 Many entrepreneurs go about the task of raising capital haphazardly because they _____.

A. are uncomfortable talking about money and they haven't written a business plan
B. lack experience in this area and because they don't know much about their choices
C. are focused on the nuts and bolts of starting their business
D. haven't completed a feasibility analysis or business plan

41. The three primary reasons startups need funding are _____.

A. cash flow challenges, capital investments, and lengthy product development cycles
B. business research, cash flow challenges, and costs associated with building a brand
C. bonuses for members of the new venture team, attorney fees, and lengthy product development cycles
D. attorney fees, capital investments, and marketing research

42. In startup firms, inventory must be bought, employees must be trained and paid, and advertising must be paid for before cash is generated from sales. Which of the following reasons that motivate firms to seek funding or financing is illustrated in this example?

A. Cash flow challenges
B. Marketing costs
C. Personnel costs
D. Capital investments

43. For startup firms, some products are under development for years before they generate earnings. The upfront costs often exceed a firm's ability to fund these activities on its own. Which of the following reasons that motivate firms to seek funding or financing is illustrated in this example?

A. Cash flow challenges
B. Marketing costs
C. Capital investments
D. Lengthy product development cycles

Continued...

44 Which of the following set of characteristics places a startup in the strongest position to apply for equity funding?

A. Weak cash flow, high leverage, low-to-moderate growth, unproven management
B. Strong cash flow, low leverage, audited financials, good management, healthy balance sheet
C. Unique business idea, strong cash flow, low-to-moderate growth, broad market
D. Unique business idea, high growth, niche market, proven management

45. Which of the following statements is not correct about business angels?

A. Business angels invest in more startups on a yearly basis than venture capitalists.
B. The number of angel investors has decreased dramatically over the past decade.
C. Business angels usually take a seat on the board of directors of the firms in which they invest.
D. Business angels are valuable because of their willingness to make relatively small investments.

46. The first step in selecting a target market is to study the industry in which the firm intends to compete and decide the different potential target markets in that industry. This process is called _____.

A. market positioning
B. market splitting
C. market targeting
D. market segmentation

47. Which of the following is the correct sequence of events to the process of selecting a target market and position strategy?

A. Create a unique positioning strategy, Select a target market, Segment the market
B. Segment the market, Create a unique positioning strategy, Select a target market
C. Segment the market, Select a target market, Create a unique positioning strategy
D. Select a target market, Create a unique positioning strategy, Segment the market

Continued...

48. A product attribute map is used to help a firm decide if _____.

A. it is emphasizing benefits rather than features
B. its branding strategy is appropriate
C. its market segmentation is correct
D. its positioning strategy is appropriate

49. Which of the following statements is correct about the concept of branding?

A. Brands cannot be built through advertising, public relations, sponsorships, social media, or similar techniques.
B. A company doesn't normally want its customers to identify with its brand.
C. Startups usually start with an established brand.
D. A brand can be one of a company's most valuable assets.

50. A firm's sales process _____.

A. is typically not put in place until a year or more after a startup launch
B. describes its branding strategy
C. depicts the steps it goes through to identify prospects and close sales
D. describes its social media strategy

51. Which of the following is not an example of intellectual property?

A. Proactiv's formula for acne medication
B. Apple's trademark
C. Microsoft's Windows operating system
D. A computer monitor

52. There are two primary rules of thumb for deciding if intellectual property protection should be pursued for a particular intellectual asset. First, a firm should determine if the intellectual property has value in the marketplace. Second, a firm should determine if its intellectual property _____.

A. is directly related to its competitive advantage
B. could be licensed to another company
C. is more than three years old
D. is something that was developed "in-house"

Continued...

53. There are three basic requirements for a patent to be granted. The subject of the patent application must be _____.

A. useful, difficult to copy, and novel in relation to prior arts in the field
B. based on cutting edge science or technology, not obvious to a person of ordinary skill in the field, and rare
C. useful, novel in relation to prior arts in the field, and not obvious to a person of ordinary skill in the field
D. rare, difficult to copy, and not obvious to a person of ordinary skill in the field

54. Which of the following items would typically be protected by a form of intellectual property protection other than trade secret statutes?

A. Financial forecast
B. Product formula
C. A company's logo
D. Logs of sales calls

55. Which of the following is not a suitable reason for firm growth?

A. Increasing the compensation of the top managers of the firm
B. Ability to attract and retain talented employees
C. Need to accommodate the growth of key customers
D. Market leadership

56. Economies of scale occur when _____.

A. increasing production lowers the average cost of each unit produced
B. increasing production increases the average cost of each unit produced
C. decreasing production lowers the average cost of each unit produced
D. decreasing production increases the average cost of each unit

57. Market leadership occurs when a firm _____.

A. is the number one or number two firm in an industry or niche market in terms of net profits
B. is one of the top five firms in an industry or market niche in terms of sales volume
C. earns twice as much as its closest competitor
D. is the number one or the number two firm in an industry or niche market in terms of sales volume

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58. Which of the following is not one of the five stages in the organizational life cycle?

A. Introduction
B. Early growth
C. Scale
D. Maturity

59. Which of the following is an advantage of internal growth strategies?

A. Need to develop new resources
B. Get quality and pricing right
C. Investment in a failed internal effort can be difficult to recoup
D. Provides maximum control

60. Internally generated growth is often called organic growth because it does not rely on _____.

A. outside intervention
B. its own skills and capabilities
C. external funding
D. internal leadership

SECTION B: Short Essay (40 marks)

1. List out the TWO (2) primary reasons that people become entrepreneurs and start their own firms. (2 marks)

2. Define the terms below:

(a) business model (2 marks)
(b) industry analysis (2 marks)
(c) executive summary (2 marks)
(d) founders' agreement (2 marks)
(e) skills profile (2 marks)

3. Briefly explain TWO (2) reasons why most start-ups require funding. (4 marks)

4. Describe TWO (2) major day-to-day challenges associated with growing a business. (4 marks)

Continued...

5. Define niche market and provide an example of such market segment.
(5 marks)

6. Differentiate between a summary and a full business plan.
(5 marks)

7. Explain briefly TWO (2) importance of having a clearly articulated business model.
(5 marks)

8. Define feasibility analysis and state when it is appropriate to conduct it.
(5 marks)

[Full: 100 marks]

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